Advising the Congress on Medicare issues

Updating payments for skilled nursing facilities

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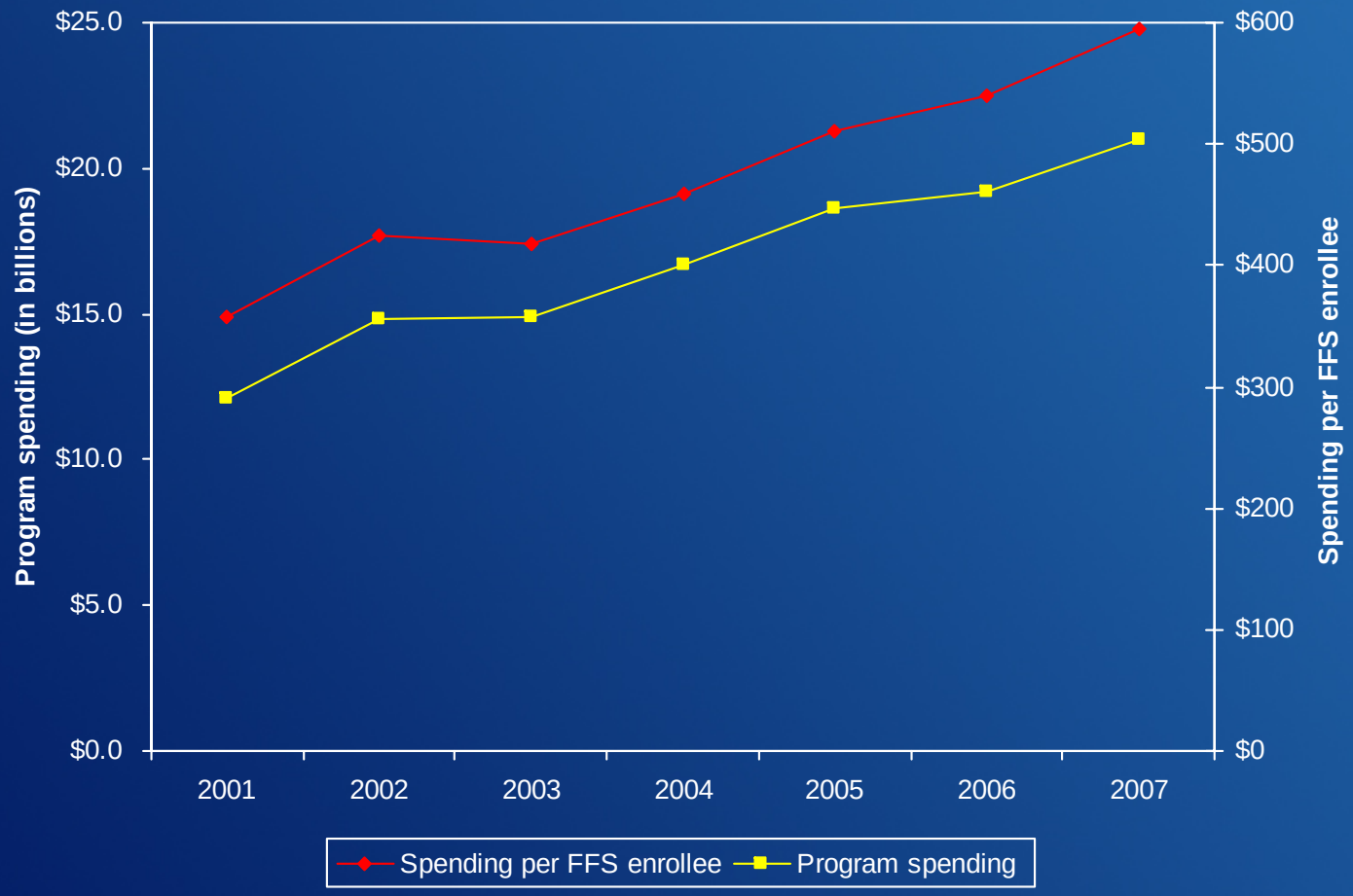
MEDPAC

Spending on SNFs continues to increase

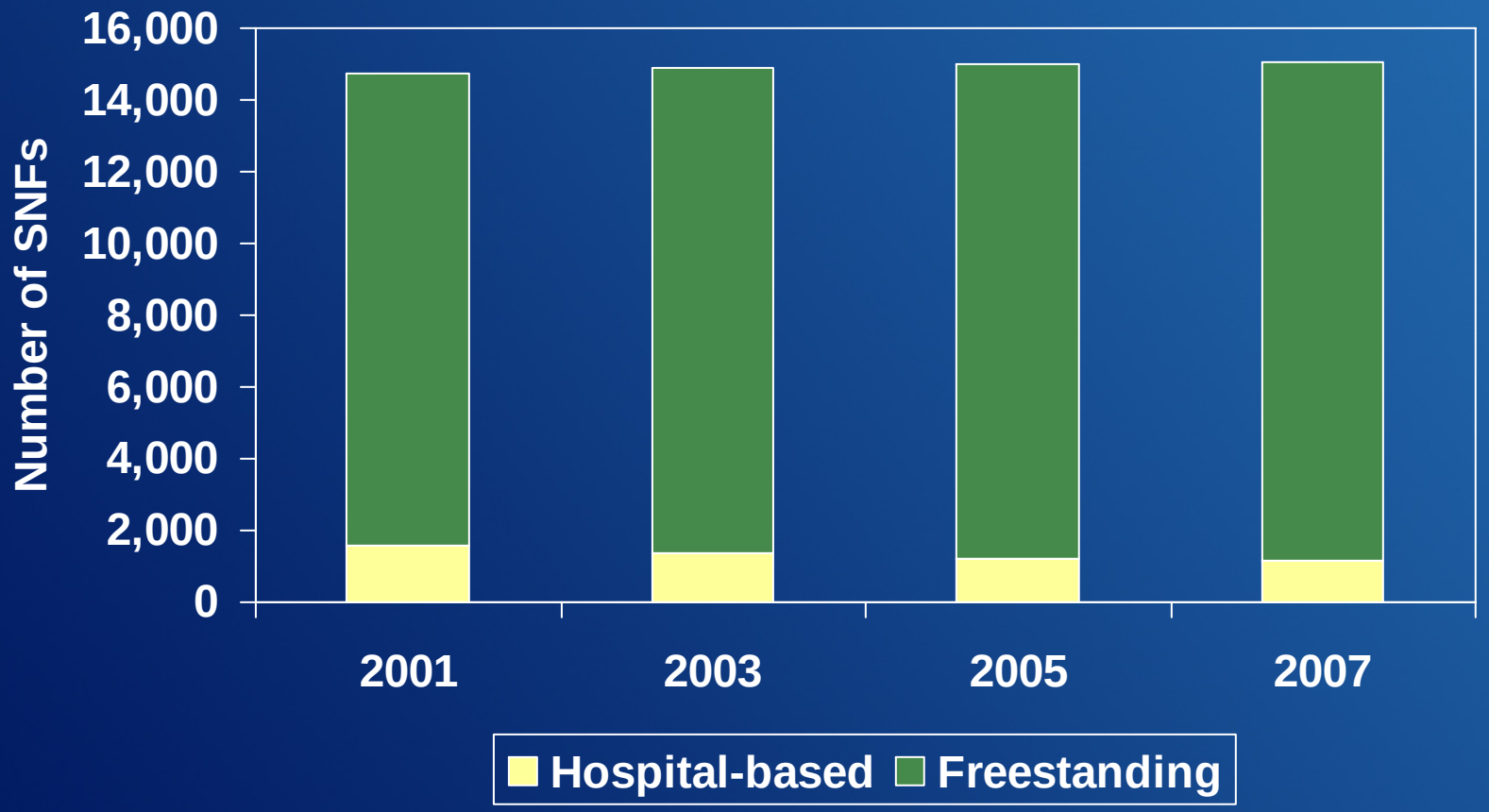


Data are preliminary and subject to change.

Beneficiary access remains good

- Most beneficiaries experience few access problems
- SNFs have increased their Medicare shares
- Delays in placement for some medically complex patients

Supply is stable, but fewer hospital-based units



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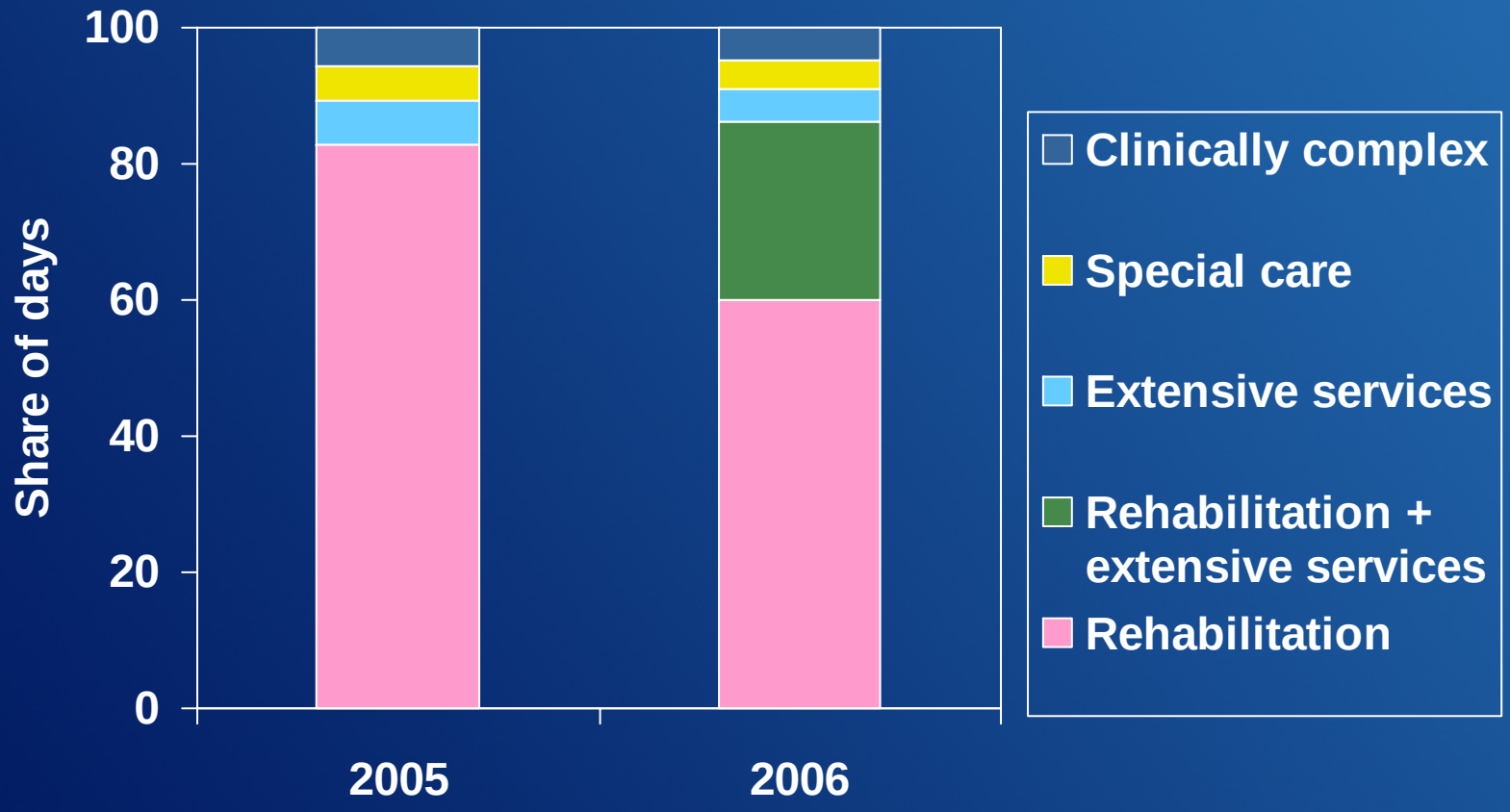
Volume per fee-for-service enrollee increased between 2005 and 2006

Measure	Change 2005-2006
Covered days per 1,000 enrollees	4.1%
Admissions per 1,000 enrollees	2.9%
Days per admission	1.9%

Data are preliminary and subject to change.

Patient mix continues to shift towards high-paying case mix groups



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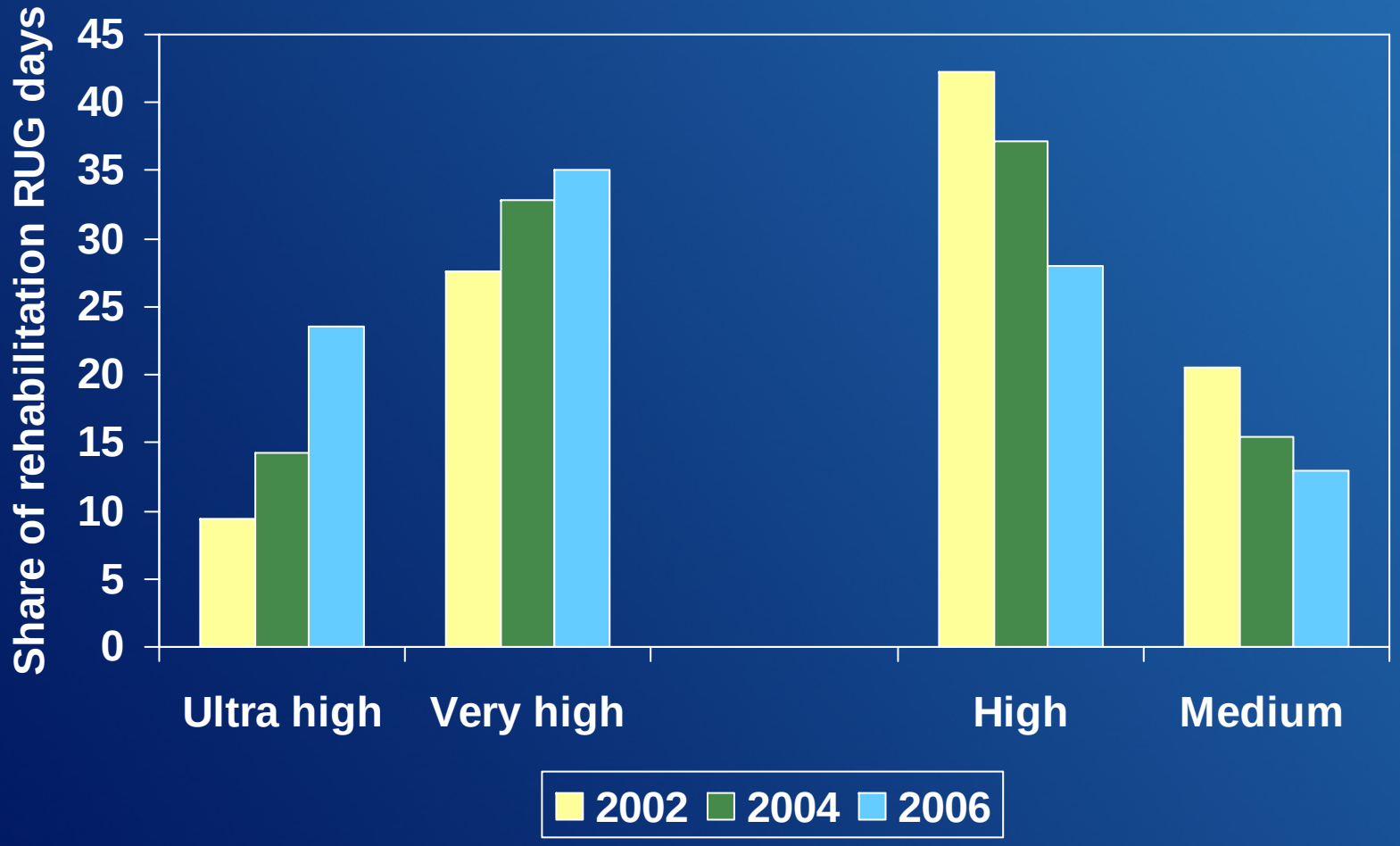
Within the rehabilitation RUGs, patient mix continues to shift to higher therapy groups



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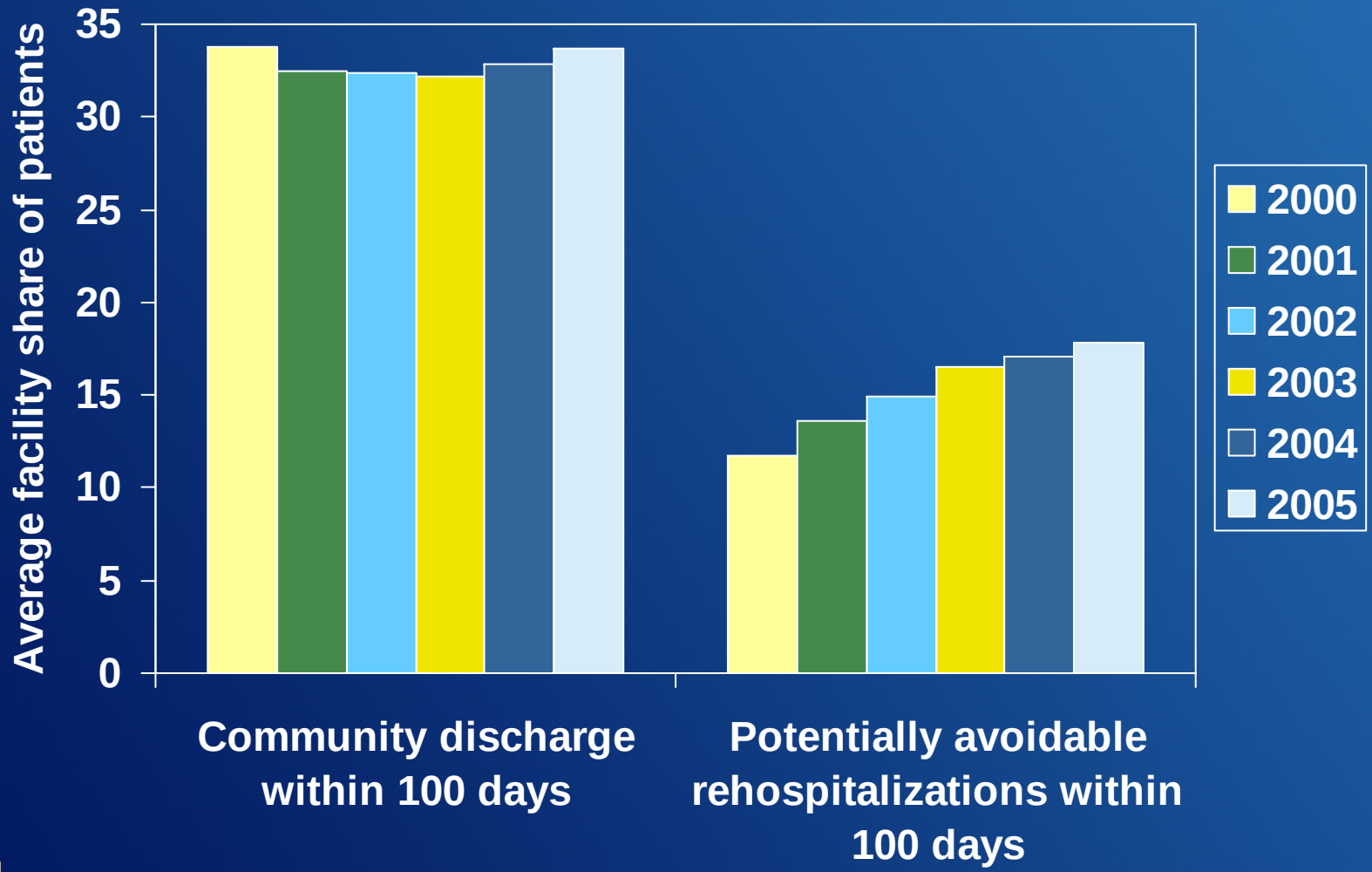
Mixed quality results for SNFs between 2000 and 2005



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Access to capital has been good but will be tighter over coming year

- Medicare seen as a generous payer
- Access to capital was very good until late summer
- Capital expected to be available but more expensive with more restrictive terms
- Tighter capital reflect lending trends, not adequacy of Medicare payments

Improving the measures for SNF quality

- 5 publicly reported SNF measures on Nursing Home Compare website
  - Delirium: 14-day assessment is a departure from usual functioning
  - Pain: 14-day assessment with moderate daily pain or excruciating pain at any time
  - Pressure sores: 14 day- assessment showing new or worse sores
  - Flu vaccination rates, and
  - Pneumonia vaccination rates

Timing problems of MDS-based quality measures

- Systematic bias due to almost half of SNF patients are not included in measures
- Differences in measures can reflect *when* assessment conducted, not differences in patients
- Measures can reflect care during prior hospitalization

Other shortcomings of the MDS-based SNF quality measures

- Measures do not capture main goals of care for most SNF patients
- Definitions are problematic

Alternative measures: rates of community discharge and potentially avoidable rehospitalization

- Capture key goals of SNF care
- Include most SNF patients
- Do not reflect care in the prior hospital stay
- Data are readily available

Evaluation of alternative measures found:

- Robust risk adjustment method was possible
- Minimum number of stays for stable measures= 25 cases
- Measures that considered care within 100 days were preferred to those reflecting care within 30 days

SNF pay-for-performance

- Initial evaluation was that SNFs were not ready
- Evidence based, accepted measures with adequate risk adjustment not available
- Publicly reported measures were problematic

Readiness of rates of community discharge and potentially avoidable rehospitalization

- Measures are broad-based
- Robust risk adjustment possible
- Avoid measurement and definitional problems of MDS-based measures
- Widely accepted
- Familiar to providers
- Do not require new data

Features of SNF industry to consider in program design

- Medicare is a small share of most SNFs' revenues
- Relatively high margins may dampen provider interest
- However, because Medicare is a preferred payer, providers may pay close attention